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Statement of Steve Rockhold
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United States Department of Agriculture
September 16th, 2003
Portland, Oregon

Adolph Coors was 26 years old when he opened his brewery in Golden, Colorado, in 1873. Since that time, Coors Brewing Company has become the 3rd largest brewing company in the U.S. and the 8th largest brewing company in the world. Adolph was an expert brewer with an unwavering devotion to producing only the highest quality, finest tasting and most refreshing beers. This passion for brewing and commitment to quality still exists today within the people at Coors, and continues to drive our desire for sourcing only the highest quality ingredients to make our beers.

Coors has been purchasing hops directly from U.S. growers for more than 3 decades. We certainly can empathize with the hop grower's challenge of the free market system, especially in today's global market. Brewing company consolidation has been at a rapid pace in the U.S. and world markets, and will continue to do so in the future. We do business in a very competitive worldwide environment. We have seen the demise of hundreds of family owned breweries in the U.S. and world market place, and can understand the desire of the U.S. hop grower to maintain their long-term viability.

We purchase varieties in the U.S. that are unique to our needs for our domestic breweries, and we also purchase hops in the U.S. for our breweries in the U.K. We utilize forward contracts that are signed directly with growers and hop merchants. Our growers and suppliers know exactly what our needs are based on the contracted quantities. We typically have forward contracts, 1, 2, and 3 years in advance of production, so our market signals are very clear to producers. We are very specific and demanding in our quality parameters. We feel that we have paid fair and equitable prices to our growers, and as a result, most of our hop growers have been producing for us for many years. We hand select every hop that we purchase, believing that only the choicest hops make the finest beer. We are concerned that our ability to continue to have a selection of high quality hops may be affected with a marketing order.

We agree with the current administration's stated agricultural policy that recognizes that the marketplace is the best guide for allocating resources and provides the most objective reward for efficiency's and good management. Coors has a history of building relationship with hop growers that reward them for producing high quality hops. On the other hand, we have limited or eliminated relationships with growers and suppliers that have failed to meet our standards. We have many years of traditional and modern methods of brewing that demand that we foster and cultivate only the highest standards of relations with our suppliers that are mutually beneficial to both the grower and to us.

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History has shown us that supporting prices is self-defeating. Government attempts to hold prices above those determined by commercial markets have simply made matters worse over time. Artificial constraints on production volumes have not adequately anticipated the effects of external market forces in the past, and they will not be able to do so in the current worldwide hop growing environment. Limiting the amount of high quality supply of hops in the U.S. will be a signal to the rest of the world to expand their production, and will send a signal to the U.S. brewers that more high quality hops can be found outside the U.S. borders. We believe the future of the U.S. hop industry is tied to many factors beyond the reach of an agricultural marketing order. New varieties, improved production practices, technological advances in hop cultivation and processing will be the driving factors behind an individual hop growers sustainability and growth. As in most industries in the U.S., the high quality, efficient producer of product will be rewarded. We reward our producers with forward contracts at reasonable prices that ensure their long-term success in hop production. This system has worked well for our producers and Coors. We benefit from high quality, consistent production that manages our supply risk. Any deviation from this would be asking us to look at alternative ways to manage our risk, including increased sourcing from the global market, or vertical integration into hop production. We consider our hop varieties a specialty ingredient, not a commodity like corn, soybeans, or wheat. Our hops are specific to us at Coors, and provide us with specific competitive advantages, and we must maintain our ability to freely source our hops.

As we have seen in virtually every other commodity or specialty crop, Mother Nature tends to be a much bigger factor in regulating supply of production. At Coors, we maintain sourcing strategies and inventories that manage that risk. A part of that strategy is our U.S. hop sourcing. Crop failures in any part of the world tend to have negligible effects on us, as this current crop failure in Europe is vindicating our strategy of forward contracts, geographic distribution of our sourcing (Coors purchases hops in Idaho, Oregon, Washington, Germany, and in New Zealand), and adequate inventory holdings. We recognize that not all brewers have utilized this strategy in the past, but we suspect that with the current situation in Europe, more brewers will be encouraged to forward contract in the future. Regardless of their position, Coors is very concerned about a marketing order that would restrict our ability to continue our sourcing strategy.

We believe the driving factors behind a hop growers success will be increased productivity and lower production costs that will increase their own competitive advantage against other suppliers. It is the fundamentals behind a free market capitalistic system that drives most other businesses. It is our belief that the free market forces will ultimately be the dictation behind agricultural policy, not artificial controls that mask the signals of supply and demand. We encourage the Department to not establish a new marketing order that will only serve to disrupt and damage the U.S. hop industry.

Thank you for the opportunity to appear in front of you today, and I would be happy to provide you with additional information if you feel necessary.

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